

QUARTERLY INVESTMENT REVIEW

U.S. Small Cap Value Fund

RETURNS (%) (USD)	Cumulative (%)		Annualized (%)				
	QTD	YTD	1 Year	3 Years	5 Years	10 Years	ITD
Net of Fees (Class VI)	13.99	22.73	22.73	12.73	–	–	10.90
Gross of Fees (Class VI)	14.12	23.36	23.36	13.25	–	–	11.40
S&P SmallCap 600 Value	15.84	14.89	14.89	10.21	–	–	9.61
Value Added (vs. S&P SmallCap 600 Value)	-1.85	7.84	7.84	2.53	–	–	1.30

Major Performance Drivers

Global markets finished the year on a strong note in the fourth quarter, contributing to double-digit gains in 2024 for both markets as a whole and U.S. Small Cap stocks in particular. While geopolitical tensions ratcheted up with Hamas’ attack on Israel, and accompanying concerns related to broader conflict in the Middle East and the potential disruption of trade, equity markets remained unfazed and oil prices fell, helping to underpin positive sentiment around falling global inflation.

The S&P Small Cap 600 Value index outperformed the S&P Small Cap 600 index in the fourth quarter. In this environment Value models did well, but both Momentum and Alerts models struggled, leading to portfolio underperformance.

Performance headwinds came from a mix of stock selection and sector allocation decisions, including overweight positioning toward Energy. Stock selection challenges were broad-based, including Consumer Discretionary, Information Technology, and Financials. Top stock-level detractor, Cytokinetics Incorporated (Health Care), was not held due to unattractive scores across all model groups, however the stock more than doubled at the end of December on positive study results from an experimental heart drug in its development pipeline.

There were also positive areas for stock selection, including Real Estate and Communications Services. Top stock contributors included names identified as having attractive valuations including PVH Corp. (Consumer Discretionary), LendingTree (Financials), and Universal Corp. (Consumer Staples).

Portfolio weights, as a percent of equity, for the positions mentioned were: PVH Corp (0.4%), Lending Tree (0.5%), and Universal Corp. (1.0%).

Inception Date: 2-Jul-19

Risks: Risks associated with investing in the Fund may include those as follows. (1) Market Risk – Equities – The market price of an equity may decline due to factors affecting the issuer or its industry or the economy and equity markets generally. (2) Management and Operational Risk: The risk that GMO’s investment techniques will fail to produce desired results. (3) Small Company Risk – Smaller companies may have limited product lines, markets, or financial resources, lack the competitive strength of larger companies, have inexperienced managers or depend on a few key employees. The securities of companies with smaller market capitalizations often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations. For a more complete discussion of these risks and others, please consult the Fund’s prospectus. Annualized Returns may include the impact of purchase premiums and redemption fees. Returns shown for periods greater than one year are on an annualized basis. To obtain performance information to the most recent month-end, visit www.gmo.com.

Performance data quoted represents past performance and is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance data may be lower or higher than the performance data provided herein. If certain expenses were not reimbursed, performance would be lower. Transaction costs, if any, are paid to the fund to offset the cost of portfolio transactions to invest or raise cash. Net Expense Ratio: 0.45%; Gross Expense Ratio: 0.45% Net Expense Ratio reflects the reduction of expenses from fee reimbursements. The fee reimbursements will continue until at least June 30, 2024. Elimination of this reimbursement will result in higher fees and lower performance. Gross Expense Ratio is equal to the Funds Total Annual Operating Expenses set forth in the Funds most recent prospectus dated June 30, 2023.

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PRODUCT OVERVIEW

The Fund seeks to generate total return in excess of its benchmark, the S&P Small Cap 600 Value Index, by investing primarily in equities of U.S. companies that are included in the S&P 600 Index or whose market capitalization at the time of investment is less than that of the 1000 largest publicly held companies.

The Fund's investment approach is grounded in the Systematic Equity team's belief that, in the short term, equity markets exhibit exploitable inefficiencies as a result of irrational investor actions, the imperfect flow of information, and the participation of non-economic actors, while in the long-term returns are ultimately driven by economic reality. The Fund aims to take advantage of this inefficiency by utilizing a multi-factor valuation model in conjunction with other methods, such as cross-asset signals and corporate alerts, to identify mispriced equity securities.

IMPORTANT INFORMATION

Benchmark(s): The S&P SmallCap 600 Value Index is an independently maintained and widely published index comprised of value stocks within the S&P SmallCap 600 index. The S&P SmallCap 600 seeks to measure the small-cap segment of the U.S. equity market. Value stocks are measured using three factors: the ratios of book value, earnings, and sales to price. S&P does not guarantee the accuracy, adequacy, completeness or availability of any data or information and is not responsible for any errors or omissions from the use of such data or information. Reproduction of the data or information in any form is prohibited except with the prior written permission of S&P or its third-party licensors.

An investor should consider the fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the funds prospectus. To obtain a prospectus please visit www.gmo.com. Read the prospectus carefully before investing.

The GMO Trust funds are distributed in the United States by Funds Distributor LLC. GMO and Funds Distributor LLC are not affiliated.

ABOUT GMO

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